



Investment Idea



7 October 2025

research@rakutentrade.my

Investment Idea / IPO Note

Cheeding Holdings Berhad

Electrifying Momentum

By Lee Cai Yu

★★★★☆ **BUY**IPO Price: **RM0.36**Fair Value: **RM0.72**

Cheeding Holdings Berhad (CHEEDING, 0372) provides utilities engineering solutions comprising of Engineering, Procurement, Construction, and Commissioning (EPCC) and maintenance of overhead utility infrastructure, EPCC of underground utility infrastructure as well as substation engineering services. We projected CHEEDING to register core net earnings of RM30.6m and RM35.8m for FY3/26F and FY3/27F respectively. We assign a fair value of RM0.72 based on 16x PER on FY27F EPS, in line with its comparable peers justified by its above average net margins.

CHEEDING's solid stance lies in its deep relationship with TNB, Malaysia's national grid operator, spanning over 16 years and accounting for more than 90% of its revenue in recent years. It is among a handful of qualified players for high-voltage overhead transmission works (132kV–500kV) and is also recognized under TNB's Green Lane Pathway initiative, which grants it priority tendering for DC-related grid projects.

A major upcoming catalyst is the establishment of an in-house design department under BC Services which is set to be a game-changer for operational efficiency. By taking direct control of engineering designs, CHEEDING can contain costs and improve bid accuracy in tenders and protect margins even as it expands into lower-margin underground and substation segments.

Backed by a remaining solid order book of RM202.7m (as of Aug 2025) and a proven tender win rate of c.20% underscores its status as a preferred contractor in Malaysia's power infrastructure value chain. In addition, CHEEDING commands superior profitability with consistent net margins of 22–23%, thanks to its focus on overhead works, lean cost structure, and low gearing.

CHEEDING's future growth strategy focuses on broadening its utilities engineering portfolio to capture the surging demand for integrated DC grid solutions. It is expanding its share of underground infrastructure EPCC and substation engineering services. These segments are crucial as DCs require 132–275kV underground connections and substation upgrades.

It is worth noting that CHEEDING has committed to a minimum dividend payout ratio of 25% of PAT, translating into yields of between 2.7% for FY3/26F and 3.1% for FY3/27F. Post-IPO, the company's net cash position provides a strong balance sheet to fund performance bonds for future projects to seize new growth opportunities.

KLCI	1,638.09
YTD FBM KLCI change	-0.26%
YTD FBM SC Index change	-5.70%

Stock Information

Market Cap Upon Listing (RM'm)	287.0
Enlarged Share Capital (m)	797.3
Shariah Compliant	Yes

IPO Proceeds (RM'm)

Performance bond for future projects	16.2
Working capital	24.6
Repayment of bank borrowings	2.3
Capital expenditure	3.2
Estimated listing expenses	5.2
Total	51.5

Major Shareholders

Ng Kian Chai	68.1%
Tan Sook Hoi	5.8%

Summary Earnings Table

FY Mar (RM'm)	2025A	2026F	2027F	2028F
Revenue	117.7	137.5	161.0	188.7
EBIT	34.6	39.8	46.7	54.2
Pretax profit	35.0	40.2	47.2	54.8
PATAMI	26.3	30.6	35.8	41.6
Core PATAMI	26.3	30.6	35.8	41.6
Consensus	NA	NA	NA	NA
Core EPS (sen)	3.3	3.8	4.5	5.2
EPS growth (%)	28.8	16.1	17.2	16.2
DPS (sen)	1.5	1.0	1.1	1.3
PER (x)	10.9	9.4	8.0	6.9
BV/Share (RM)	0.06	0.25	0.30	0.35
ROE (%)	56.7	24.1	16.2	16.0
Div. Yield (%)	4.18	2.66	3.12	3.63

Sources: Prospectus, Rakuten Trade Research

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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Kenny Yee Shen Pin
Head of Research